

**PUBLIC DISCLOSURE**

JANUARY 14, 2002

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**WORCESTER POSTAL CREDIT UNION**

**4 EAST CENTRAL STREET  
WORCESTER, MASSACHUSETTS 01613**

**DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire membership, including low and moderate-income borrowers, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Worcester Postal Credit Union** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”**

This examination was conducted utilizing three performance criteria for industrial institutions: 1) Average Loan to Share Ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending. As a credit union whose membership is not based upon residence, as described under 209 CMR 46.41, the credit union has identified its assessment area as its membership; consequently no evaluation of geographic performance factors was conducted.

The credit union's lending activity displayed an average loan to share ratio of 90.4 percent during the period examined, and resulted in the credit union exceeding the standards for satisfactory performance.

The credit union was determined to meet the standards for satisfactory performance in regards to lending to borrowers of different incomes, due to the reasonable percentage of loans granted to low and moderate-income members.

The credit union's fair lending performance is also considered to meet the standards of satisfactory performance.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Worcester Postal Credit Union is a state-chartered industrial credit union that was established to serve the needs of postal employees in the Worcester district. As of December 31, 2001, the credit union had total assets of \$11,720,920, with total loans of \$6,728,170 or 57.4 percent of total assets. Currently, automobile loans account for 68.9 percent of the credit union's loan portfolio, followed by personal unsecured loans at 31.1 percent. The credit union does not originate residential mortgage loans.

The credit union has one full-service office located at 4 East Central Street in Worcester, Massachusetts and employs a staff of 5 part-time employees. Office hours are 10:00AM to 4:00PM, Monday through Friday.

The credit union provides members with limited check cashing abilities, in addition to direct deposit for payroll and automatic payroll deduction for loan payments.

The criteria for the various types of credit offered were reviewed during the examination, as were the procedures for completing a loan application. No practices intended to discourage applications were found. The credit union originates loans in all amounts, and rates, terms and conditions are competitive with other credit unions of similar size and type. The credit union has a credit committee, which consists of three directors. The credit committee performs a review of the prior approved consumer loans weekly.

The credit union was last examined for compliance with the Community Reinvestment Act by the Commonwealth of Massachusetts Division of Banks as of August 26, 1998. That examination resulted in a CRA rating of "Satisfactory."

### **Description of Assessment Area**

According to the Massachusetts Community Reinvestment Act Regulation, 209 CMR 46.41, a credit union whose membership is not based on residence may delineate its membership as its assessment area.

Membership in the Worcester Postal Employees Credit Union is limited to employees of the United States Postal Service offices located in the City of Worcester, and the towns located in the 014 and 015 zip code areas. Retirees and family members of employees are also eligible for membership. The credit union currently has 2,267 members.

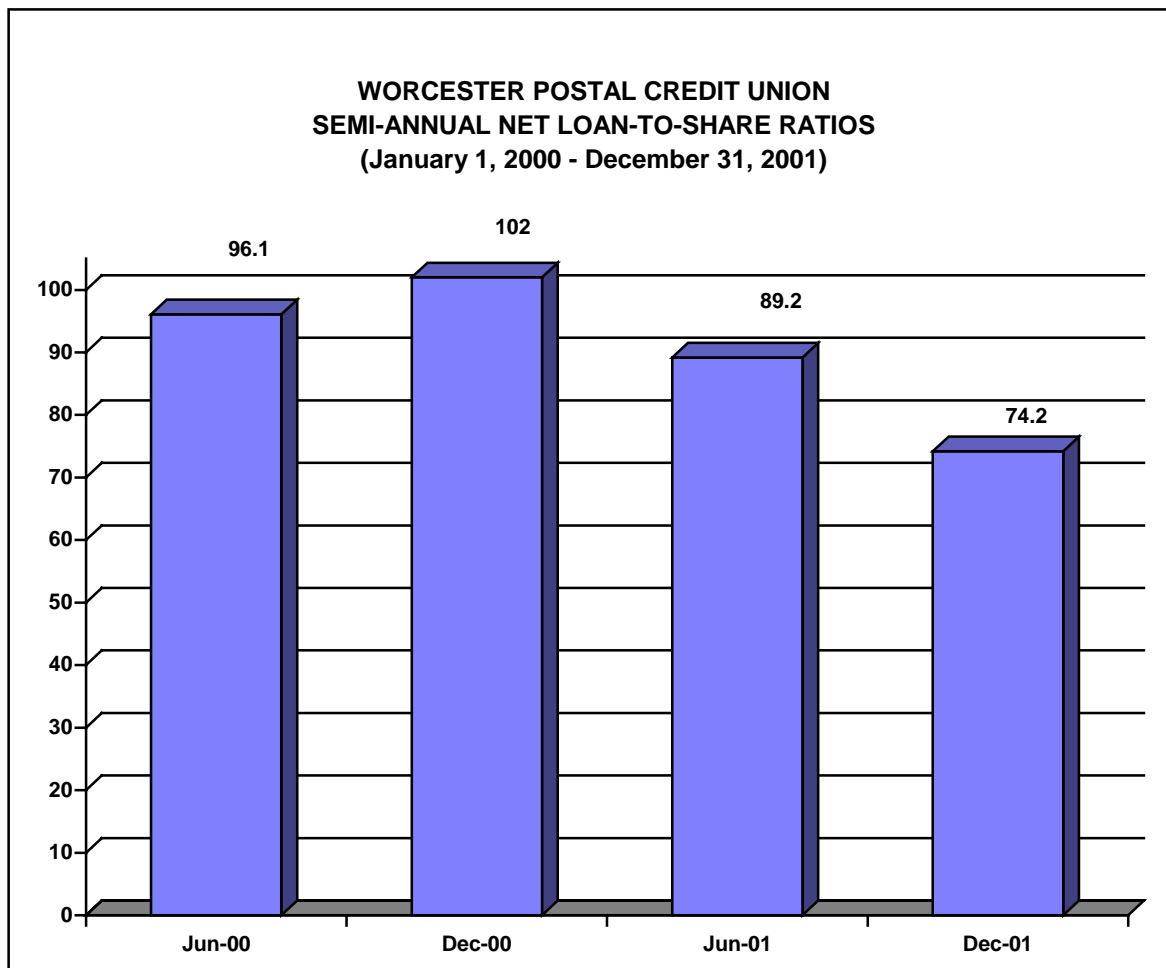
The location of the credit union places it within the Worcester Metropolitan Statistical Area (MSA).

## **PERFORMANCE CRITERIA**

### **1. LOAN TO SHARE ANALYSIS**

The first criterion evaluates the average net loan to deposit (share) ratio of an institution. In this situation a comparative analysis of Worcester Postal Credit Union's semi-annual net loan-to-share ratios for the period beginning January 1, 2000, through December 31, 2001 was conducted. The ratios are based on loans net of the allowance for loan and lease losses as a percentage of total shares. Using the credit union's four most recent semi-annual 5300 Reports, the average net loan-to-share ratio for this period was determined to be 90.4 percent.

The following graph illustrates the loan to share ratio trends.



Source: 5300 Call Reports

The above graph demonstrates an overall decline in the loan to share ratio. This decline is the result of a decrease in lending, which declined by 5 percent over the period reviewed, while at the same time, deposits increased by 23 percent. It should be noted

that the fourth quarter ending December 2001 exhibited the most dramatic drop in lending. During this quarter, lending decreased by 6.2 percent, while deposits increased by 12.8 percent. It is assumed that the poor economy contributed to a lessening of loan demand. Additionally, according to management, the credit union has attempted to maintain the interest rate level of its deposit products, despite interest rate cuts that have occurred.

Based on the above information and the credit union's capacity to lend, the types of loans available at the credit union, and the lending opportunities available for its membership, the credit union's net loan-to-share ratio is considered to exceed the standards for satisfactory performance.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

The second performance criterion examines an institution's record of lending within its assessment area. However, under the revised CRA regulations, 209 CMR 46.41, a credit union membership which is not based on residence, such as the Worcester Postal Credit Union, may define its assessment area as its membership. Since Worcester Postal Credit Union has elected to define its membership in this manner, no geographic evaluation was performed.

## **3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

The third performance criterion evaluates the extent to which Worcester Postal Credit Union lends to borrowers of different income levels. The following analysis of borrower income distribution demonstrates that the credit union's lending meets the standards for satisfactory performance.

The Worcester Postal Credit Union extended 760 consumer loans in 1999, 836 consumer loans in 2000, and 621 consumer loans in 2001. These originations include personal and automobile loans. A sample of 75 consumer loans was selected from all years to determine the distribution of credit based on the income levels of borrowers. All of the consumer loans sampled were extended to borrowers residing in the Worcester Metropolitan Statistical Area (MSA). The originations were categorized by the ratio of the applicant's reported income to the estimated 1999, 2000 and 2001 median family incomes of the Worcester Metropolitan Statistical Area (MSA), which are \$52,600, \$54,400 and \$57,000 respectively. The income figures are based on estimated Department of Housing and Urban Development (HUD) information.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the Metropolitan Statistical Area (MSA). Moderate income is defined as income between 50 and 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the

median income. Upper income is defined as income equal to or greater than 120 percent of the median income.

The information included in the table below indicates that the majority of the sample of consumer loans -52.0 percent -was granted to moderate-income members, followed by 37.3 percent to middle-income members, and 10.7 percent to members of low income.

#### **CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER**

% OF MEDIAN MSA INCOME	1999		2000		2001		TOTAL	
	#	%	#	%	#	%	#	%
<50%	4	15.4	2	8.3	2	8.0	8	10.7
50% - 79%	12	46.1	13	54.2	14	56.0	39	52.0
80% - 119%	10	38.5	9	37.5	9	36.0	28	37.3
120% >	0	0.0	0	0.0	0	0.0	0	0.0
<b>TOTAL</b>	<b>26</b>	<b>100%</b>	<b>24</b>	<b>100%</b>	<b>25</b>	<b>100%</b>	<b>75</b>	<b>100%</b>

Source: in-house files

It is noted that the majority of the consumer loans were granted to single applicants. Therefore, the percentage of originations occurring in low and moderate-income levels may be somewhat higher than normal, since borrower income is compared to median family income. This may have the effect of somewhat skewing the distribution of loans towards lower-income levels.

Based upon the analysis of consumer loans by borrower income, it appears that the credit union's lending is adequately distributed to borrowers of various income levels, including those of low and moderate income. Performance in this category is therefore considered to be satisfactory.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

As mentioned above, no evaluation of geographic factors was conducted since the credit union has elected to identify its assessment area as its membership, in accordance with 209 CMR 46.41.

## **5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

### **REVIEW OF COMPLAINTS**

Worcester Postal Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

### **FAIR LENDING POLICIES AND PRACTICES**

The credit union's small size, restricted resources and financial situation limit its ability to meet the requirements of Regulatory Bulletin 2.3-101, the Division's fair lending policy. The credit union's staff training is adequate. However, outreach, marketing, credit products and underwriting standards are directly affected by resources and product offerings. Based on the foregoing information, the credit union meets the standards for satisfactory performance in this category.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## WORCESTER POSTAL CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JANUARY 14, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_



## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at Main Office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.